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NEWS Finance Committee votes changes to Rhode Island's Historic Preservation Investment Tax Credit program.

The Rhode Island House Finance Committee voted April 3, 2008 to approve H-8016 Sub A**,** proposed legislation that would make significant changes to Rhode Island's Historic Preservation Investment Tax Credit program.

The new bill as passed by the House Finance Committee allows most projects that are already in the pipeline to continue with a reduced credit amount and higher fee. About 100 current projects (with combined estimated costs of almost $900 million) will have the option of continuing under the new rules. A moratorium on new projects would go into effect as of January 1, 2008. The bill could be voted in the full House and Senate soon.

Summary of H-8016 Sub A

The following summary of H-8016 Sub A is based on RIHPHC's current understanding of the bill. If enacted, RIHPHC will work with the Division of Taxation to promulgate rules and regulations for implementation of the changes, and the adopted rules and regulations will determine how the process is actually carried out.

1. Provide the full 30% tax credit for projects that were completed by December 31, 2007, with no caps placed on credit redemption. Part 3 Applications must be submitted to RIHPHC and fee paid on or before May 15, 2008. Projects that fail to meet this deadline will be treated under the new rules.

2. Restrict future eligibility to projects that submitted a Part 1 application to RIHPHC prior to January 1, 2008. Projects that submitted a Part 1 application to RIHPHC after December 31, 2007 will not be eligible for the program.

3. Require projects that want to continue in the program to pay an up-front processing fee ranging from 3% to 5% of Qualified Rehabilitation Expenditures, with 2.25% due on or before May 15, 2008, and the balance due on or before March 5, 2009.

4. Reduce the tax credit to between 27% to 25%, depending on other options chosen by developers. They would be given the option of paying a 3% processing fee and receiving a 25% credit; paying a 4% fee and receiving a 26% credit; or paying a 5% fee and receiving a 27% credit. (By comparison, through 2007 developers paid a 2.25% fee upon project completion and received a 30% credit).

5. On or before May 15, 2008, every project that continues in the program will enter into a contract with the Division of Taxation stating the amount of project Qualified Rehabilitation Expenditures, the tax credit percentage, and the amount of fees. The contract will constitute a State guaranty that the stated amount of tax credits will be available when earned. In a significant change from current law, projects will not be allowed to claim additional tax credits based on an increase in the Qualified Rehabilitation Expenditures. If final Qualified Rehabilitation Expenditures should be less than the amount stated in the contract, overpayment of fees will be refunded by the Division of Taxation.

6. RIHPHC will continue to review projects and certify compliance with the Secretary of the Interior's Standards for Historic Rehabilitation. The Division of Taxation will take over review of cost certifications, collect fees, and administer tax credit contracts for each project.

The goal of the legislation is to control the program's cost to the State Budget at a time of serious budget deficits without taking away the value of the tax credits to current and future holders of tax credit certificates. House Majority Leader Gordon Fox and House Finance Committee Chairman Steven Costantino have pledged their efforts to develop a new historic preservation investment tax credit program for future projects.

RIHPHC staff recognize that tax project Owners and project Managers have many questions about how H-8016 Sub A could affect their projects. We will do our best to reply to every question, but please understand that we are very busy certifying projects that were completed in 2007 and compiling the list of projects that submitted a Part 1 application before January 1, 2008. Although we have begun working with the Division of Taxation to draft regulations for the changes to the program, we have not yet determined the precise details of how these changes will be implemented and probably do not have answers to many questions.

A copy of H-8016 Sub A and a news report from the Providence Journal are attached.

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